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Handy Andy

COMPANY



ANNUAL REPORT

1961



THIS ATTRACTIVE BUILDING REPRESENTS THE NEW
CONCEPT OF MERCHANDISING OUTLETS, COUPLED WITH
SERVICE STATIONS, BEING DEVELOPED BY HANDY ANDY



DIRECTORS AND OFFICERS

directors

Hyman Feldman
David D. Feldman
Bernard Naimark
N. L. Rappaport, Q.C.
Donald S. Patterson
George Whelan
Charles Gavsie, Q.C.

officers

Hyman Feldman, President
David D. Feldman, Executive Vice-President
Bernard Naimark, Vice-President & Treasurer
N. L. Rappaport, Q.C., Secretary

TRANSFER AGENT AND REGISTRAR

Montreal Trust Co.,
Montreal, Toronto, Winnipeg, Halifax

BANKERS

Royal Bank of Canada

AUDITORS

Richter, Usher & Vineberg



REPORT TO THE SHAREHOLDERS

The board of directors wishes to present the annual report on financial results and operations of your company for the fiscal year ended December 31, 1961.

During the year the company vigorously pursued its policy of expansion and concluded two agreements of major significance. In September, the company acquired control of White Hardware Limited which with its 80 Franchise Dealers, is enabling us to expand faster in Ontario. In November an agree-

ment was concluded with Shell Oil Company of Canada Limited, whereby we shall participate jointly with Shell Oil Company in a revolutionary concept of merchandising gasoline and automotive products.

The agreement involves the establishment for the first time in Canada of a chain of automotive discount centres in co-operation with a major oil company, the first of which already is opened in Montreal. Others will be opened later this year and in future years in Montreal, Toronto and other

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cities.

These automotive centres will be free-standing buildings, attractively designed for the most efficient operation. These units will be offering gasoline and installation facilities coupled with attractive stores and display areas for the sale of automotive and allied lines.

The agreement with Shell, a world-wide leader in the petroleum industry, reflects the policy your company has pursued over the years offering only quality products and services to its customers.

During 1961 two new company-owned stores were inaugurated and 15 associate dealer stores were brought into operation. Also two small company-owned stores were converted to associated

dealerships. Your company now owns 30 stores and supplies 92 associate dealer stores.

Most of the new locations were opened during the latter part of the year. Many of the associate dealers are small but enterprising merchants, offering Handy Andy merchandise to their customers. Your company's merchandising, advertising and finance departments help them to make their businesses grow.

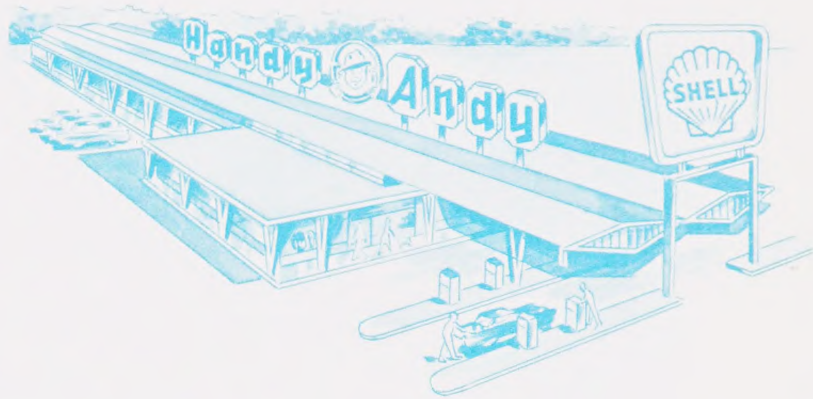
The company's net sales in 1961 showed almost a three percent gain, which was considerably less than anticipated, owing to increased competition created by the opening of several large new retail outlets during the last quarter of the year.

After all charges and provision for federal and provincial income taxes of \$227,068, net profit amounted to \$228,470 equivalent to 60 cents on the 380,360 shares of common stock outstanding. This compares with \$404,618 in 1960 equivalent to \$1.06 per share on 380,010 shares outstanding



The modern warehouse and head office building of White Hardware Limited in Rexdale, Ont.

This is the first automotive discount centre, offering Shell brand name products. It is on Cote de Liesse road in Montreal.



at the end of that year. Four quarterly dividend payments of 10 cents a share were made during the year, representing total disbursements to shareholders of \$152,045. The balance was transferred to the company's consolidated retained earnings account.

The decline in net profit reflects the increased competitive factors and the investment in future growth as well as the absorption of some non-recurring expenditures in connection with the company's expansion program. To strengthen the organization and to provide efficient management and executive staff for the company to embark on the projects it is planning, new key personnel were engaged and intensive training was undertaken.

Also during the year, increased interest charges were incurred in connection with the expansion in Ontario.

The company believes its activities and investments have broadened the scope of its operations for future expansion and have strengthened its position to meet competition. Your directors are

confident that the activities undertaken by management in the year under review will prove beneficial to the company and its shareholders in the future.

The company has excellent relations with its employees; all of whom have contributed to the effective carrying out of the policies and programs that have been instituted. The loyalty and efficiency of employees, dealers and suppliers is much appreciated.

On behalf of the Board of Directors

Hyman Feldman,
President.



CONSOLIDATED BALANCE SHEET

ASSETS

	1961	1960
CURRENT		
Cash	\$ 3,575	\$ 3,600
Investments, at values below cost (market value \$8,295.)	7,193	6,193
Accounts receivable, less allowance for doubtful accounts	1,403,590	1,170,875
Cash value of life insurance	6,909	4,244
Merchandise inventories, valued at the lower of cost or market	2,904,331	2,548,232
Prepaid expenses	57,473	54,140
	4,383,071	3,787,284
INVESTMENT		
White Hardware Limited shares, at cost (Note 1)	682,337	
FIXED		
Land, buildings, equipment and improvements, at cost	1,080,568	921,221
Less: Accumulated depreciation	437,882	351,374
	642,686	569,847
OTHER		
Prepaid rent	18,000	18,000
Unamortized debenture discount	63,639	68,472
	81,639	86,472
APPROVED ON BEHALF OF THE BOARD		
HYMAN FELDMAN, } BERNARD NAIMARK, } Directors		
	\$5,789,733	\$4,443,603

STATEMENT OF CONSOLIDATED EARNINGS

FOR YEAR ENDED DECEMBER 31, 1961

	1961	1960
Profit from operations, before deducting items below	\$ 725,065	\$1,062,237
Provision for depreciation	98,181	99,945
Interest on funded debt	75,081	67,207
Executive remuneration	86,180	88,910
Legal fees	10,085	5,325
	269,527	261,387
Earnings before taxes on income	455,538	800,850
Provision for taxes on income	227,068	396,232
Net earnings for year	\$ 228,470	\$ 404,618



AT DECEMBER 31, 1961

LIABILITIES

	1961	1960
CURRENT		
Bank advances	\$ 1,543,910	\$ 228,298
Accounts payable and accrued liabilities	809,676	676,459
Income taxes	25,159	191,789
	\$2,378,745	\$1,096,546
DEBENTURES		
6¾% Sinking Fund Debentures, Series "A", maturing March 1, 1975 (Note 2)	1,099,500	1,130,000
DEFERRED INCOME		
Unearned finance charges	114,742	96,103
	SHAREHOLDERS' EQUITY	
CAPITAL STOCK (Note 3)		
Authorized		
24,000 5% non-cumulative redeemable preferred shares of \$10. par value, redeemable at par		
1,000,000 common shares of \$1. par value		
Issued and fully paid		
380,360 common shares	380,360	380,010
CONTRIBUTED SURPLUS (Note 3)	493,960	490,110
RETAINED EARNINGS (Note 4)	1,322,426	1,250,834
	2,196,746	2,120,954
	\$5,789,733	\$4,443,603

The accompanying explanatory notes are an integral part of these financial statements.

STATEMENT OF CONSOLIDATED RETAINED EARNINGS FOR YEAR ENDED DECEMBER 31, 1961

	1961	1960
Balance January 1	\$1,250,834	\$ 984,310
Net earnings for year	228,470	404,618
Difference between par value and cost of debentures purchased	—	6,600
	\$1,479,304	\$1,395,528
Deduct: Dividends	152,045	114,001
Expenses, net of applicable tax reduction, relating to issue of Common Stock and debentures		21,532
Amortization of debenture discount	4,833	4,028
Adjustment applicable to prior years	—	5,133
	156,878	144,694
Balance December 31	\$1,322,426	\$1,250,834

EXPLANATORY NOTES to Consolidated Financial Statements at December 31, 1961

- (1) It is estimated that the share of Handy Andy Company in the net loss on operations of White Hardware Limited since acquisition is approximately \$39,000 which share of net loss has not been taken up in the accounts of the company.
- (2) Sinking fund payments are required to retire at par \$75,000 of debentures annually in each of the years 1964 to 1974, both inclusive. Sinking fund requirements for 1962 and 1963 have already been met through debenture purchases.
- (3) At December 31, 1961 24,640 common shares were reserved for issue upon the exercise of the stock purchase warrants attached to the Series "A" Debentures entitling the holder of warrants to purchase common shares at prices ranging from \$12. to \$15. per share up to the close of business on September 1, 1968.

During the year ended December 31, 1961, as a result of the exercise of warrants 350 common shares were issued for \$4,200 cash of which \$3,850 was credited to contributed surplus.

- (4) The company has covenanted that so long as any Series "A" Debentures are outstanding it will not declare or pay any dividends (other than stock dividend) on any of its capital stock or purchase or pay off any of its capital stock (except from net proceeds of the sale of the shares of the capital stock of the company), when the consolidated net current assets (as defined in the trust agreement) of the company and its subsidiaries are, or would thereby be reduced, below \$2,000,000, or when the aggregate of capital and consolidated surplus (as defined in the trust agreement) is, or would thereby become, less than 150% of funded obligations of the company then outstanding.
- (5) Annual rentals for leased property, excluding additional rentals based on a percentage of sales, total approximately \$480,000, the major portion of which relates to leases expiring subsequent to 1965.

AUDITORS' REPORT

TO THE SHAREHOLDERS,
HANDY ANDY COMPANY,
Montreal.

We have examined the consolidated balance sheet of Handy Andy Company and its wholly-owned subsidiary as at December 31, 1961 and the statements of consolidated earnings and consolidated retained earnings for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated earnings and consolidated retained earnings supplemented by the notes to financial statements 1 to 5 appended thereto, are properly drawn up so as to exhibit a true and correct view of the combined state of affairs of the companies as at December 31, 1961 and the results of their operations for the year ended on that date, according to the best of our information and the explanations given to us and as shown by the books of the companies.

RICHTER, USHER & VINEBERG
Chartered Accountants

MARCH 20, 1962



REVIEW OF HANDY ANDY ACTIVITIES

More than a quarter of a century ago Handy Andy Company pioneered a new concept in automotive retailing. Today, enjoying a vast wealth of experience, it continues to add exciting new dimensions in merchandising.

When the company was founded in 1934 its aim was "to provide an economy-minded public with automotive replacement parts and accessories at reasonable prices." As Handy Andy grew the range of merchandise was expanded to include sporting goods, electrical appliances, hardware and household appliances, all meeting the company's rigid specifications governing quality and durability.

As it grew, the company never lost sight of its original concept of providing the best available merchandise at competitive prices. It was in line with this policy that the company entered into an agreement last year with Shell Oil Company of Canada Limited to establish a chain of automotive centres.

In these free-standing outlets, discounts will be applied to the purchases of Shell brand name gasolines through coupons, permitting the holder to

buy items at any Handy Andy store at discounted prices. In the merchandising departments the emphasis will be on automotive parts and accessories but other Handy Andy items will be carried. The company's catalogue lists more than 10,000 items.

In the service departments, facilities will be available for the speedy installation of many of the items sold in our stores, such as mufflers, shock-absorbers, brakes, tires and radios, etc. In addition, lubrication and other such services will be performed by special crews.

Savings to the motorist will be made possible by expert servicemen, each trained in a particular phase of the work and by employing the latest techniques and the most modern equipment. Thus Handy Andy's service to the motoring public reflects the benefits of experience acquired during



An old Handy Andy store. The company's first unit was opened in 1934.

Handy Andy

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nearly 30 years in the automotive business. This know-how has placed your company in a position of leadership in its field. Consideration is being given to the expansion of the company's own private brands to complement present house brands such as Cross Country, Commodore and others.

Administrative offices, warehouses and distribution facilities of the company are located in modern, leased buildings in the Town of Mount Royal, Que. The head office is at 8300 Devonshire Road. There is a new warehouse at 4600 Cote de Liesse Road, adjacent to the company's first automotive discount centre, its initial joint venture with Shell Oil Company of Canada.

The company's associate dealership program has been an important factor in the expansion of

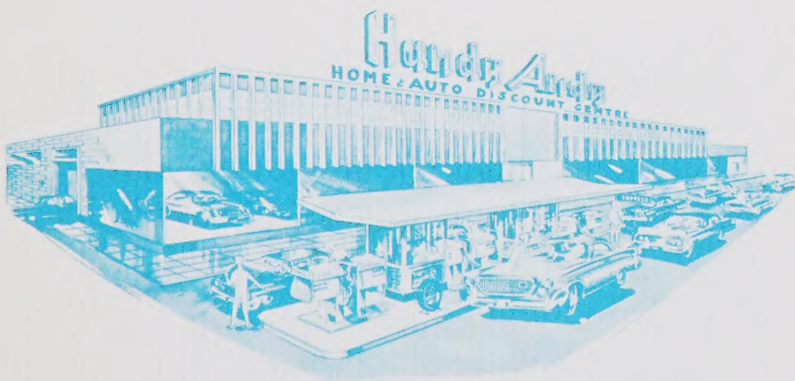
the company's operations.

Under it dealers are able to offer exclusive trade-marked products in their franchise areas. Plans are underway to further develop this program and to extend the distribution facilities to benefit motorists throughout Canada. Many of our new dealer-outlets will have the "new look" of the automotive centre.

Dealers' installment sales are financed through a wholly-owned subsidiary, Handy Andy Acceptance Corp., set up in 1959. This phase of the company's operation also will be greatly expanded.

With the normal growth of the Canadian economy, the steady increase in the number of car registrations and the availability of more and more leisure time, Handy Andy is confident that there will be a widening market for its merchandise and services.

Handy Andy became a public corporation in 1960 and its shares are listed on the Montreal Stock Exchange. Almost all of the company's shareholders reside in Canada.



A modern, free-standing automotive centre indicates the bright new pattern of the future.



Handy Andy
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MONTREAL

CANADA